

Neo Banking: An Overview

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Abstract

The world is revolutionizing at a very fast rate. Tremendous Changes has been taken place in every aspect of life. Because of growth in population and industrial sector, financial sector also grows at very fast rate. Traditionally, Financial activities ad performed with the help of banks. It requires personal visit to a bank. Now a days, because of advancement of technology and changing demands of a customer, banking activities are with electronic mode. That is there is a digitalization of banks. With this changing scenario new system of banking to provide various banking facilities has been emerged. That new system is considered to be neo banking. The present research study is undertaken by the researcher with a view to understand neo banking concept. It also focuses on analyzing the significance of neo banking. At last researcher evaluated the challenges before neo banking system.

Keywords

Revolution, Financial Sector. Digitalization, Neo Banking. Industrial Sector .

Introduction

Banking Sector in India as well as world has been evolved a lot. The evolution of banking sector is the result of updation of technology. Regulatory changes, changes in the preferences of customers etc. The evolution of banking can be traced with the help of various phases that is Banking 1.0, where traditional banking system is followed. Banking 2.0 highlighted the emergence of digital baking. Banking 3.0 focuses on advanced digital banking. Whereas, Banking 4.0 is related with open banking and FinTech integration in banking sector. Banking 5.0 is the era of adaptation AI in banking activities. The neo bank is the new type of banking system. Whereas, all banking transactions are performed without physical existence. This is the banking system that operate completely on digital basis. This is the best option for techno save customers. As it provides various banking facilities like fund transfer,

payment, cash management and all other banking services. Because of tremendous changes in Finance sector and financial activities, majority customers are moving towards online banking channels. The first neo bank was started in UK. Thereafter, in Germany and in other countries like US, Europe, China, India, Brazil and South Asia.

The term neo is derived from Greek word which literally means new. It is considered as a umbrella which provide all kind of banking services in easy and quick way. In India Niyo Solutions first time introduced the concept of neo banking in the year 2016. At present there are near about 20-30 neo banks operated in India. These banks not directly subject to regulations of RBI. These banks are working in integration of traditional banks. Hence it is subject to indirect control by RBI. Neo banks and digital banks are the terminologies which can be used interchangeably. Hence, Yono SBI, 811 Kotak, Manila Money, Instant Pay etc. are the some popular neo banks operated in India.

Review of Literature

1. Jigmit Stobdan and Dr. Sunil Kumar (2023), conducted a research on, 'Neo Banks: Future, Prospects, Challenges and Strategies.' Concluded in their study that neo banking has a potential to change the banking sector with appropriate integration of technology in banking activities. Neo banks need to implement properly as it has tremendous future opportunities to grow by overcoming the challenges ahead.

2. Fhanraj Jaglan (2021), presented a study related to, 'Neo Banks- The Rise of Banking Industry.' Covers the advantages of neo banking and growth and performance of neo banks over a period of time. He also concluded that increase in demand and customer preferences ensure long term sustainability of these banks.

3. Glory Monis and Ramesh Pai (2023), Undertaken a study on, 'Literature Review of Neo Banking: Acceptability and Compatibility Study.' They have undertaken various scholarly research articles to find out the research gap. They have concluded that neo banking is popular among digitally aware group of customers. It has a lots of scope as it grows virtually without requirement of establishment of new branches physically.

Objectives of the Study

1. To understand the concept of neo banking.
2. To acknowledge the benefits of neo banks
3. To evaluate the limitations of neo banks

Benefits of Neo Banks

1. Easy Account Creation

In traditional banking, account creation involves varies procedures which are lengthy and complicated in nature, Neo banks completely work on virtual basis. It helps the customers to open their account without hurdles.

2. Low Cost

Unlike traditional banks neo banks are not required to spend amount on creating branches physical. It also saves the cost of various transactions that requires in traditional banking like cost of technology, HR, Monthly maintenance etc.

3. Speedy Services

Customers can easily search for various options and also navigate with selected options. As it is completely based on digital platform. It helps to complete transactions like lending money and money transfer can be undertaken within a minute.

4. Interest Rates

Now a days, some of the neo banks provide handsome rare of interest than traditional banks. This practice is adopted by neo banks to enlarge the customer base.

5. Advanced Security

Neo Banks provide advanced security features. It haps the customer to enable biometric verification. It also provide Two Factor Authorization and encryption technology.

Limitations of Neo Banks

1. Lack of Physical Branches

Neo banks Completely working on online basis. These is no physical existence of any bank or it's branches, customers will not experience in person assistance and Support from bank officials.

2. Limited Financial Products and Services

Neo banking provides basic banking services like balance check, transfer of Funds and availing limited amount of credit. It does not provide complicated financial products like investment options and mortgage facilities.

3. Security and Regulatory Concern

Neo banks are not regulated directly by RBI. It is indirectly regulated when it is integrated with traditional banks. Hence, There is even a chance of cybersecurity risk. Therefore, in neo banking there is a requirement of security and adequate regulatory concerns.

4. Dependence on Partner Banks

Neo banks are operated with the support of traditional banks without the base of traditional banks, neo banks can not build a trust among the customers. Hence, Reliance on traditional banks slows down the working of neo banks.

5. Trust Issue

Neo banking is in its evolution phase. Because of involvement of technology it provides services with lots of benefits. But it is very difficult to create brand trust among the customers independently. Customers are also ready to engage in banking activities with such a neo bank that has been integrated with traditional banks.

Conclusion

The researcher undertakes the study with a view to analyze the concept of Neo banking. The researcher found that neo banking is the new field in the banking sector. It is a system which undertakes the banking activity with the help of technology. It is a banking which operates digitally. It is also observed that some times neo banking and digital banking these two terminologies are used simultaneously. It means new system of banking which is growing in every country of the world. The researcher experienced that Neo Bank provides various benefits to their customers like speedy services, low maintenance expenses, easy account creation etc. whereas on the other hand it also suffered with various limitations like security concern, Reliance on traditional banks, and Trust issues among Customer because of no physical existence.

To Conclude, Neo banking has tremendous scope to shape the banking sector but there is need to overcome various challenges.

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